

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Richmond Division

UNITED STATES OF AMERICA)	
)	
v.	)	CRIMINAL NO. 3:02 CR____
)	
	)	18 U.S.C. § 1341 & 2
JOSEPH ZIADEH	)	Mail Fraud
(Counts 1-20)	)	(Count 1)
and)	
	)	18 U.S.C. § 1031 & 2
AIDA L. ZIADEH	)	Major Fraud Against the United States
(Counts 1-16 & 20)	)	(Count 2-8)
)	
	)	18 U.S.C. § 1344 & 2
	)	Bank Fraud
	)	(Count 9)
)	
	)	18 U.S.C. § 1956 & 2
	)	Money Laundering
	)	(Counts 10-16)
)	
	)	18 U.S.C. § 152
	)	Bankruptcy Fraud
	)	(Counts 17-19)
)	
	)	18 U.S.C. § 371
	)	Conspiracy to defraud the United States
	)	(Count 20)

AUGUST 2002 TERM - At Richmond, Virginia

INDICTMENT

THE GRAND JURY CHARGES THAT:

COUNT ONE
(Mail Fraud)

1. The defendant, JOSEPH ZIADEH, a resident of Chesterfield County, Virginia, was employed from 1969 until 1998 as President of Bell Construction Company, Inc.

(“Bell Construction”), a Virginia Corporation engaged in the business of heavy construction excavation. Defendant JOSEPH ZIADEH and his spouse, defendant AIDA L. ZIADEH, were the sole shareholders, officers and directors of Bell Construction. Together they directed and controlled all of the affairs of Bell Construction, including the negotiation of the prime contracts and subcontracts with private companies, assignments of contracts to banks, the receipt of funds from the government and the disposition thereof.

2. At all relevant times, Bell Construction maintained its business checking account (the “Bell Construction Operating Account”) at Signet Bank (Account No. 5530509750) which became First Union Bank (Account No. 2055305097509) on March 19, 1998.

3. At all relevant times, Defendant JOSEPH ZIADEH and defendant AIDA L. ZIADEH maintained the following personal bank accounts: (1) a personal money market savings account (the “Ziadeh Money Market”) at Signet Bank (Account No. 3160845560) which became First Union Bank (Account No. 1031608455601) on March 19, 1998; (2) a personal checking account (the “Ziadeh Signet Checking Account”) at Signet Bank (Account No. 052930701989) which became First Union Bank (Account No. 1052930701989) on March 19, 1998; and a personal checking account (the “Ziadeh Crestar Checking Account”) at Crestar Bank (Account No. 88762446).

4. On or about March 25, 1994, defendant JOSEPH ZIADEH caused Bell Construction to enter into a subcontract (Prime Contract No. DACA65-93-B-0146 Subcontract No. 0304-94-2-00170) (the “Ft. Lee Contract”) with the United States Small Business Administration (the “SBA”) which, for purposes of administration, served as the prime contractor under a general contract with the United States of America for the construction of a

sanitary sewer line and the repair of a generator building for the contract sum of two hundred and thirty-nine thousand, three hundred and sixty-seven and xx/100 dollars (\$239,367.00). On or about March 25, 1995 the SBA transferred the administration of the Fort Lee Contract to the United States Army Corps of Engineers (the “Corps of Engineers”).

5. From on or about December 22, 1994 and continuing to on or about May 18, 1998, defendant JOSEPH ZIADEH and defendant AIDA L. ZIADEH devised and intended to devise a scheme and artifice to defraud the United States and to thereby obtain money under the custody and control of the United States.

6. In performing the Ft. Lee Contract, among the things which Bell Construction was required to do was install a septic tank (the “Septic Tank”). On or about December 22, 1994, when the Septic Tank was being unloaded and installed, the bottom half of the Septic Tank was dropped, causing a major crack running from the top to the bottom along the side (the “Septic Tank Crack”). Defendant JOSEPH ZIADEH personally observed the Septic Tank Crack and personally ordered and supervised the installation of the Septic Tank. It became part of the scheme and artifice that the defendant JOSEPH ZIADEH would and did install the Septic Tank and secretly attempt to repair the Septic Tank Crack without informing the Corps of Engineers of the Septic Tank Crack and the attempted repair.

7. Due in large part to the Septic Tank Crack, the Septic Tank leaked and failed to function properly. The Corps of Engineers notified defendant JOSEPH ZIADEH that the Septic Tank did not function properly and demanded that the defendant make repairs. It was a further part of the scheme and artifice that the defendant would continue to conceal the Septic Tank Crack from the Corps of Engineers.

8. It was a further part of the scheme and artifice that defendant JOSEPH ZIADEH would and did submit to the Corps of Engineers on or about June 6, 1996, a document, containing false and fraudulent statements, titled “Request for Equitable Adjustment For Government responsible Delay to Contract Performance and Differing Site Conditions” (the “Equitable Adjustment Claim”). In the Equitable Adjustment Claim, defendant JOSEPH ZIADEH claimed that Bell Construction was entitled to an additional payment of \$117,432.00 on the Fort Lee Contract. Defendant JOSEPH ZIADEH maintained that Bell Construction was owed this payment because of a delay in the project (the “Fort Lee Contract Delay”) due to an archeological survey (the construction site was adjacent to a Civil War battlefield) and because of excessive ground water on the construction site.

9. On January 22, 1997 the Corps of Engineers requested that the Defense Contract Audit Agency (the “DCAA”) review the Equitable Adjustment Claim (the “DCAA Review”). In connection with the DCAA Review, the DCAA reviewed the books and records of Bell Construction and DCAA Senior Auditor Richard J. Kawolski interviewed defendant AIDA L. ZIADEH June 6, 1997 (the “June 6, 1997 DCAA Interview”).

10. It further became part of the scheme and artifice that in the Equitable Adjustment Claim defendant JOSEPH ZIADEH made false and misleading statements to the Corps of Engineers including that the Septic Tank leaked due to the site condition (rather than due to the Septic Tank Crack which he still did not disclose). It further became part of the scheme that during the June 6, 1997 DCAA Interview, defendant AIDA L. ZIADEH made false and misleading statements that, during the Fort Lee Contract Delay, Bell Construction was not working on any other contracts and was therefore entitled to reimbursement for its overhead costs

associated with the delay. In addition, during the June 6, 1997 DCAA Interview, the Septic Tank Crack was still not disclosed.

11. On or about the 6th day of June, 1996 and continuing until at least the 18th day of May 1998, in the Eastern District of Virginia, defendant JOSEPH ZIADEH and defendant AIDA L. ZIADEH did knowingly and willfully falsify, conceal, and cover up a material fact by trick, scheme, and device; that is they concealed Bell Construction's responsibility for the Septic Tank Crack from the Corps of Engineers when they submitted the Equitable Adjustment Claim, during the DCAA Review, and during several letters mailed via the United States mails to the Corps of Engineers, including a letter dated May 18, 1998 mailed from Bell Construction, Midlothian, VA to Department of the Army, Norfolk District, Corps of Engineers in which defendant JOSEPH ZIADEH sought payment of the Equitable Adjustment Claim and continued to fail to disclose Bell Construction's responsibility for the Septic Tank Crack.

12. On or about May 18, 1998, in the Eastern District of Virginia, and within the jurisdiction of this court, defendants JOSEPH ZIADEH and AIDA L. ZIADEH, for the purpose of executing, and attempting to execute, the scheme and artifice, did place and cause to be placed in the United States mails, a letter demanding payment of the Equitable Adjustment Claim, to be mailed from Bell Construction, Midlothian, VA to Department of the Army, Norfolk District, Corps of Engineers to be sent and delivered by the United States Postal Service. (In violation of Title 18, United States Code, Sections 1341 & 2).

Forfeiture Notice

Pursuant to Rule 32.2(a) FED. R. CRIM. P., the defendants are hereby notified that, if convicted of the offenses alleged above, the defendants shall forfeit to the United States their

interest in any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offense(s), up to the amount of \$239,367. If property subject to forfeiture cannot be located, the United States will seek an order forfeiting substitute assets.

(In accordance with Title 18, United States Code, Sections 981(a)(1)(C and Title 28, United States Code, Section 2641).

COUNT TWO

(Major Fraud Against the United States)

1. The allegations in Paragraphs 1-3 of Count One are realleged in their entirety as if set forth here.
2. On or about January 24, 1996, defendant JOSEPH ZIADEH caused Bell Construction to enter into a subcontract (Prime Contract No. DACA54-96-C-0008, Subcontract No. 0304-96-6-01247) (the “Sunny Point Contract”) with the SBA which, for purposes of administration, served as the prime contractor under a general contract with the United States of America for the construction of twenty-five (25) earthen explosive barricades at Sunny Point, South Port, North Carolina (the “North Carolina Project”) for the contract sum of six million ninety-eight thousand eighty-three and no/100 dollars (\$6,098,083.00). Subsequently, the SBA transferred the administration of the Sunny Point Contract to the Corps of Engineers.
3. As a condition of being awarded the Sunny Point Contract, Bell Construction was required to obtain a payment and performance bond (the “Bond”) in the amount of the Sunny Point Contract which guaranteed that in the event that Bell Construction did not perform the Sunny Point Contract as required, the work would be completed by the bonding

company. Bell construction obtained the Bond bearing the number U2661704 from Reliance Bonding Company through United Pacific Insurance Company (“United Pacific”).

4. Subsequent to entering into the Sunny Point Contract, and at various times between January 24, 1996 and January 16, 1998, defendant JOSEPH ZIADEH caused Bell Construction to enter into a number of subcontracts with various companies (together the “Subcontractors” or individually a “Subcontractor”) to perform various portions of the Sunny Point Contract. Some of the subcontracts were in writing and some of the subcontracts were verbal.

5. Pursuant to the Sunny Point Contract, Bell Construction was authorized to periodically request a payment (a “Progress Payment”) from the Corps of Engineers as work progressed on the Sunny Point Contract. In order to request a Progress Payment, Bell Construction was required to submit a written request for payment to the Corps of Engineers on a form titled “Application and Certificate for Payment” (a “Progress Payment Request”). The purpose of the Progress Payments was to ensure that Bell Construction would have sufficient funds to pay the Subcontractors and to pay for materials. In each Progress Payment Request, Bell Construction was required to certify to the Corps of Engineers, among other things, that amounts due the Subcontractors either had been, or would be, paid out of the Progress Payment made to Bell Construction in response to a Progress Payment Request.

6. Beginning on or about January 24, 1996, and continuing up to on or about January 16, 1998, in connection with the Sunny Point Contract, defendants JOSEPH ZIADEH and AIDA L. ZIADEH , devised and attempted to devise a scheme and artifice with the intent (a) to defraud the United States and the Subcontractors; and (b) to obtain money from the United

States and from the Subcontractors or property by means of false and fraudulent, pretenses, representations, and promises.

7. It was a part of the scheme and artifice that defendants JOSEPH ZIADEH and AIDA L. ZIADEH would by deceit, craft, trickery and dishonest means, defraud the United States and the Subcontractors, in that the defendants would make false statements that the Subcontractors on the Sunny Point Contract had been or would be paid all that they were owed from the proceeds of Progress Payments.

8. It was further a part of the scheme and artifice that defendants JOSEPH ZIADEH and AIDA L. ZIADEH diverted monies from the Progress Payments to their own use.

9. On or about January 16, 1998 (the “Sunny Point Contract Termination Date”), the Corps of Engineers terminated Bell Construction from the Sunny Point Contract due to poor performance by Bell Construction and the failure of Bell Construction to pay the Subcontractors. United Pacific assumed responsibility for the work as general contractor and completed the work.

10. As of the Sunny Point Contract Termination Date, Bell Construction had been paid \$4,390,444.59 for its work on the Sunny Point Contract. Also as of the Sunny Point Contract Termination Date, Subcontractors and material suppliers were owed in excess of \$850,000.00.

11. On or about March 12, 1997, within the Eastern District of Virginia, and elsewhere, and within the jurisdiction of this Court, defendants JOSEPH ZIADEH and AIDA L. ZIADEH, knowingly executed and attempted to execute the scheme and artifice by submitting and causing to be submitted to the Corps of Engineers, a Progress Payment Request numbered

“Application No. 9” (“Progress Payment Request No. 9”) in which they requested a Progress Payment of \$952,188.80 and knowingly, willfully, and fraudulently certified: (1) that all Subcontractors had been or would be paid what was owed to them; and (2) that no part of the request was for amounts which Bell Construction intended to withhold from the Subcontractors. (In violation of Title 18, United States Code, Sections 1031 & 2).

COUNTS THREE THROUGH EIGHT
(Major Fraud Against the United States)

1. The allegations in Paragraphs 1-3 of Count One and 2-11 of Count Two are realleged in their entirety as if set forth here.
2. On or about March 25, 1997 and as a result of the submission of Progress Payment Request No. 9 to the Corps of Engineers, the United States Treasury sent United States Treasury Check No. 6498-00206566, in the amount of \$330,534.00, via the United States mail, to Bell Construction (“Progress Payment No. 9”). Progress Payment No. 9 was deposited into the Bell Construction Operating Account.
3. From the proceeds of Progress Payment 9, defendants JOSEPH ZIADEH and AIDA L. ZIADEH diverted monies to their own use by depositing \$147,708.00 into the Ziadeh Money Market. Of that amount, \$117,708.00 was diverted by writing checks out of the Bell Construction Operating Account to fictitious Subcontractors and endorsing them over to defendant JOSEPH ZIADEH and/or defendant AIDA L. ZIADEH (this process is called “ghosting” and hereinafter these acts of the defendants in relation to the Sunny Point Contract will be referred to as the “Ghosting Transactions” and the proceeds diverted by the defendants in this manner from the Progress Payments will be referred to as the “Ghosting Proceeds”). The object of the Ghosting Transactions was twofold as follows: (1) to divert the Ghosting Proceeds

from Progress Payments on the Sunny Point Contract to defendants JOSEPH ZIADEH and AIDA L. ZIADEH while making such diversions look like payments to Subcontractors; and (2) to carry such payments on the books of Bell Construction as tax deductible business expenses rather than as non-deductible payments to shareholders.

4. On or about April 10, 1997, defendant JOSEPH ZIADEH withdrew \$140,000.00 out of the Ziadeh Money Market by writing a check made out to “Cash.” Defendant JOSEPH ZIADEH used the \$140,000.00 check to purchase three cashier’s checks from Signet Bank described as follows: (1) Check #05233991 payable to Avonne Lissetto Cass Feiciano in the amount of \$30,655.00; (2) Check #05233992 payable to Franco, Quiles, Mariani & Godinoz in the amount of \$804.00; and (3) Check #05233990 payable to Banco Popular De Puerto Rico in the amount of \$100,847.10. Defendant JOSEPH ZIADEH also received cash in the amount of \$7,693.90. The three cashier’s checks were used to purchase a condominium apartment located at 554 Perseo Street, #2101, San Juan, Puerto Rico (the “Puerto Rico Condominium”).

5. On or about March 28, 1997, within the Eastern District of Virginia, and elsewhere, and within the jurisdiction of this Court, defendants JOSEPH ZIADEH and AIDA L. ZIADEH, knowingly executed and attempted to execute the scheme and artifice by causing Bell Construction to make the following payments from the Bell Construction Operating Account:

Count	Check No.	Payee	Amount	Destination
3	2570	H&B Trucking	\$31,824.00	Ziadeh Money Market
4	2571	H&B Trucking	\$29,484.00	Ziadeh Money Market
5	2572	Dawson Coleman Trucking	\$17,460.50	Ziadeh Money Market
6	2573	Dawson Coleman Trucking	\$19,340.50	Ziadeh Money Market
7	2574	Dawson Coleman Trucking	\$19,599.00	Ziadeh Money Market

8	2582	Aida L. Ziadeh	\$30,000.00	Ziadeh Money Market
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(All in violation of Title 18, United States Code, Sections 1031 & 2).

COUNT NINE
(Bank Fraud)

1. The allegations in Paragraphs 1-3 of Count One and 2-11 of Count Two are realleged in their entirety as if set forth here.

2. On or about June 22, 1998 the United States Treasury on behalf of the Corps of Engineers paid to United Pacific \$145,742.00 in the form of United States Treasury Check No. 8735-00075930 (the "United Pacific Check"). The United Pacific Check was in payment for work that United Pacific performed to finish the Sunny Point Contract after Bell Construction was terminated. The United Pacific Check was inadvertently mailed to Bell Construction on or about June 22, 1998.

3. On or about June 24, 1998, the United Pacific Check was deposited in the Bell Construction Operating Account. After that deposit, the balance in the Bell Construction Operating Account was \$148,580.21. From on or about June 25, 1998 until on or about June 26, 1998 defendants JOSEPH ZIADEH and AIDA L. ZIADEH made the following withdrawals from the Bell Construction Operating Account:

Description	Made by	Date	Payee	Amount	Acct. Bal.
Check 4062	Joseph Ziadeh	6/25/98	Joseph M. Ziadeh & Aida L. Ziadeh	\$50,000.00	\$98,580.21
Debit	Aida L. Ziadeh	6/25/98	See table below	\$77,142.76	\$21,437.45
Counter Ck	Aida L. Ziadeh	6/25/98	Michael Dumont	\$3889.76	\$17,547.69
Counter Ck	Aida L. Ziadeh	6/25/98	Cash	\$10,000.00	\$7,547.69
Check 4060	Aida L. Ziadeh	6/26/98	Aida L. Ziadeh	\$10,000.00	(\$2,452.31)

_____4. The Debit withdrawal from the Bell Construction Operating Account on June 25, 1998 was used to purchase the following cashier's checks of the same date from Signet/First Union Bank:

Check #	Payee	Amount	Destination
550775888	Tuck, Peterson, Forman, Gilliam & Allen	\$5,000.00	Ziadeh Signet Checking Account
550775889	IRS	\$20,061.35	Ziadeh Crestar Checking Account
550775890	IRS	\$2,782.78	Ziadeh Crestar Checking Account
550775891	IRS	\$608.84	Ziadeh Crestar Checking Account
550775892	Joseph Ziadeh	\$10,000.00	Ziadeh Crestar Checking Account
550775893	Crestar Visa	\$435.18	
550775895	Michael Ziadeh	\$5,000	
550775896	Maria Ziadeh	\$15,000	
550775897	Sears	\$5,473.38	Sears
550775898	Lowes	\$1,747.52	Lowes
550775899	American Express	\$8,220.06	American Express
550775900	Alarm System	\$2,813.65	Alarm System

5. From on or about June 24, 1998, and ending on or about June 26, 1998, defendants JOSEPH ZIADEH and AIDA L. ZIADEH devised a scheme and artifice to obtain moneys, funds, credits, assets, securities, or other property owned by or under the custody or control of First Union Bank, an institution whose deposits are insured by the FDIC, by means of false or fraudulent, pretenses.

6. It was part of the scheme and artifice that defendants JOSEPH ZIADEH and AIDA L. ZIADEH deposited and caused to be deposited the United Pacific Check into the Bell Construction Operating Account and withdrew the proceeds of the United Pacific Check as set forth above.

7. From on or about June 24, 1998, and ending on or about June 26, 1998 in the Eastern District of Virginia, and within the jurisdiction of this court, defendants JOSEPH ZIADEH and AIDA L. ZIADEH knowingly and willfully executed and attempted to execute a scheme and artifice to defraud First Union Bank as set forth above, and to obtain money and funds under the custody and control of First Union Bank by means of false and fraudulent pretenses, representations, and promises, thereby fraudulently obtained and converted to their own use \$145,742.00, which was in the custody and control of First Union Bank.

(In violation of Title 18, United States Code, Sections 1344 & 2).

Forfeiture Notice

Pursuant to Rule 32.2(a) FED. R. CRIM. P., the defendants are hereby notified that, if convicted of the offenses alleged above, the defendants shall forfeit to the United States their interest in any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offense(s), up to the amount of \$145,742. If property subject to forfeiture cannot be located, the United States will seek an order forfeiting substitute assets.

(In accordance with Title 18, United States Code, Sections 981(a)(1)(C and Title 28, United States Code, Section 2641).

COUNTS TEN THROUGH SIXTEEN
(Money Laundering)

1. The allegations in Paragraphs 1-3 of Count One, 2-11 of Count Two and 2-7 of Count Nine are realleged in their entirety as if set forth here.

2. On or about June 25, 1998, defendants JOSEPH ZIADEH and AIDA L. ZIADEH did knowingly and willfully conduct and attempt to conduct, and cause to be conducted

and attempted to be conducted, a financial transaction affecting interstate commerce, that is, the purchase from First Union Bank of the following cashiers checks:

Count	Check #	Payee	Amount
10	550775888	Tuck, Peterson, Forman, Gilliam & Allen	\$5,000.00
11	550775889	IRS	\$20,061.35
12	550775890	IRS	\$2,782.78
13	550775891	IRS	\$608.84
14	550775892	Joseph Ziadeh	\$10,000.00
15	550775895	Michael Ziadeh	\$5,000
16	550775896	Maria Ziadeh	\$15,000

which involved the proceeds of a specified unlawful activity, that is, bank fraud as set forth in Count Nine, above, knowing that the transaction was designed in whole or in part to conceal or disguise the source, ownership, and control of the proceeds of the specified unlawful activity and, while conducting and attempting to conduct, and causing to be conducted and attempted to be conducted, such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity.

(All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) & 2).

Forfeiture Notice

Pursuant to Rule 32.2(a) FED. R. CRIM. P., the defendants are hereby notified that, if convicted of any or all of the offenses alleged above (counts 10 through 16), the defendants shall forfeit to the United States their interests in any property, real or personal, involved in such offense(s), or any property traceable to such property, including but not limited to \$58,452.97. If property subject to forfeiture cannot be located, the United States will seek an order forfeiting substitute assets.

(In accordance with Title 18, United States Code, Section 982(a)(1)).

COUNTS SEVENTEEN THROUGH NINETEEN
(Bankruptcy Fraud)

1. The allegations in Paragraphs 1-3 of Count One are realleged in their entirety as if set forth here.

2. On or about July 15, 1998, defendant JOSEPH ZIADEH filed a voluntary petition under chapter 13 of the Bankruptcy Code (the “Ziadeh Bankruptcy Case”). In connection with the Ziadeh Bankruptcy Case, certain schedules were prepared (the “Schedules”) for filing in the Bankruptcy Court. The Schedules purported to disclose all of the assets, all of the debts, and all of the income of defendant JOSEPH ZIADEH as of July 15, 1998. On July 14, 1998, defendant JOSEPH ZIADEH declared under penalty of perjury that the Schedules were true and correct to the best of his knowledge, information and belief. On July 30, 1998 the Schedules were filed in the Bankruptcy Court.

3. In the Schedules defendant JOSEPH ZIADEH knowingly and fraudulently made a false oath and knowingly and fraudulently concealed from his creditors, the chapter 7 trustee, and the United States Trustee, the following property in which he had an ownership interest:

Count	Property Description	Value
17	Single family home , 2600 Sugarberry Lane, Midlothian VA	\$396,500.00 (Assessed)
18	42 Acres, Route 11, Robious Road, Powhatan County, VA	\$126,000.00 (Assessed)
19	Condo, 554 Perseo Street, #2101, San Juan, Puerto Rico	\$140,000.00 (Purchase Price)

(All in violation of Title 18, United States Code, Section 152).

Forfeiture Notice

Pursuant to Rule 32.2(a) FED. R. CRIM. P., the defendants are hereby notified that, if convicted of the offenses alleged above, the defendants shall forfeit to the United States their

interest in any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offense(s), namely, the following:

A condominium located at 554 Perseo Street, #2101, San Juan, Puerto Rico, also known as Lot #22508 registered on page 278, Vol. 717 of Monacillos, 1st registration (Section III, San Juan), or the proceeds thereof, or any mortgage interest therein.

Real property and improvements known as 2600 Sugarberry Lane, Midlothian, in Chesterfield County, VA;

42 Acres known as 555 Huguenot Trail, Powhatan County, Virginia

If the property subject to forfeiture cannot be located, the United States will seek an order forfeiting substitute assets.

(In accordance with Title 18, United States Code, Sections 981(a)(1)(C and Title 28, United States Code, Section 2641).

COUNT TWENTY
(Conspiracy to Defraud the United States)

1. The allegations in Paragraphs 1-3 of Count One and 2-11 of Count Two are realleged in their entirety as if set forth here.

2. From on or about January 28, 1997, and continuing thereafter until on or about April 15, 1999, in the Eastern District of Virginia and elsewhere, defendant JOSEPH ZIADEH and defendant AIDA L. ZIADEH and others known and unknown did unlawfully, willfully, knowingly and intentionally combine, conspire, confederate, and agree together and with others known and unknown to defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Treasury Department in the ascertainment, computation, assessment, and collection of the revenue: to wit, income taxes.

3. As part of and in furtherance of the conspiracy, defendants JOSEPH ZIADEH and AIDA L. ZIADEH operated Bell Construction and maintained their records in such a manner as to conceal the true amount of their taxable income, by the following means:

(a) Diverting funds from Bell Construction to defendants JOSEPH ZIADEH and AIDA L. ZIADEH for their personal benefit.

(b) Falsifying the books of the corporation to create the appearance that the diversions were business expenses of the corporation and, in one instance to keep the payment off the books entirely.

(c) Fraudulently negotiating the United Pacific Check into the Bell Construction Operating Account.

(d) Conducting the Ghosting Transactions.

(e) Improperly recording the Ghosting Transactions as deductible expenses on the books and records of Bell Construction and knowingly and fraudulently failing to report the Ghosting Proceeds as income on their personal income tax return.

(f) Purchasing the Puerto Rico Condominium with the Ghosting Proceeds.

6. In furtherance of the conspiracy and to effect the illegal objects thereof, the defendants and others committed the following overt acts:

(a) On or about January 28, 1997, defendant AIDA L. ZIADEH made check #2181 payable to Rafael Serrano (the "Raphael Serano Check") in the amount of \$50,000.00 drawn on the Bell Construction Operating Account.

(b) On or about January 28, 1997, defendant AIDA L. ZIADEH deposited the Raphael Serano Check into the Ziadeh Money Market Account.

(c) On or about March 12, 1997, defendant JOSEPH ZIADEH signed, and caused Bell Construction to submit to the Corps of Engineers, Progress Payment Request No. 9.

(d) On or about April 10, 1997, defendant JOSEPH ZIADEH withdrew \$140,000.00 out of the Ziadeh Money Market by writing a check made out to "Cash."

(e) On or about April 10, 1997, defendant JOSEPH ZIADEH used the \$140,000.00 check set forth in subparagraph (2) to purchase three cashier's checks from Signet Bank described as follows: (1) Check #05233991 payable to Avonne Lissetto Cass Feiciano in the amount of \$30,655.00; (2) Check #05233992 payable to Franco, Quiles, Mariani & Godinoz in the amount of \$804.00; and (3) Check #05233990 payable to Banco Popular De Puerto Rico in the amount of \$100,847.10. Defendant JOSEPH ZIADEH also received cash in the amount of \$7,693.90.

(f) On or about April 15, 1997 the three cashier's checks were used to purchase the Puerto Rico Condominium.

(g) On or before April 15, 1998, defendants JOSEPH ZIADEH and AIDA L. ZIADEH filed their joint 1997 Form 1040 return with the Internal Revenue Service in Philadelphia, Pennsylvania reflecting total income on line 22 of \$172,098.00 and generating a refund of \$5,928.00.

(h) On or about June 24, 1998, defendants JOSEPH ZIADEH and AIDA L. ZIADEH deposited the United Pacific Check into the Bell Construction Operating account and withdrew the proceeds of the United Pacific Check as set forth in Count Nine.

(i) On or before April 15, 1999, defendants JOSEPH ZIADEH and AIDA L. ZIADEH filed their joint return 1998 Form 1040 return with the Internal Revenue Service in

Philadelphia, Pennsylvania reflecting total income on line 22 of \$16,304.00 and generating a refund of \$1,490.00.

(In violation of Title 18, United States Code, Section 371).

A TRUE BILL

FOREPERSON

PAUL J. McNULTY
UNITED STATES ATTORNEY

By: _____
Gregg R. Nivala
Assistant U.S. Attorney